

The Essence of Taxes and Tax Control

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Abstract: The essence of taxes as the main source of the budget revenue is considered. The definition of the concept of “tax control” is proposed. The foreign experience in the field of tax control is analyzed and the directions of increasing the effectiveness of its application in the Uzbekistan are presented.

Keywords: tax; tax functions; tax control; tax control functions; efficiency of tax control.

Historically, the objective need for the introduction and establishment of taxes is due to the emergence of the state and the need to implement economic, social, defense and management tasks [9]. The theoretical basis for the study of taxes and taxation is the approaches of representatives of such scientific and economic schools as the classical school of the XVIII century, Keynesianism and institutionalism. The principles of taxation were first formulated in 1776 by Adam Smith, a representative of the classical school:

- the principle of uniformity, i.e. all citizens are obliged to pay taxes in proportion to their income;
- the principle of certainty, i.e. the amount of tax, the time and method of its payment must be known to the taxpayer in advance;
- the principle of convenience, i.e. taxes should be collected at the time and in the way that is most convenient for the taxpayer;
- the principle of economy, i.e. the state's tax collection expenses should be minimal [5. p. 34].

The above principles served as the foundation for the development of taxation in world science. A. Smith identified three main sources of taxation: “All taxes and everyone the income based on them – all salaries, pensions, annual rental incomes of all kinds – are ultimately derived from one or the other of these three initial sources of income and are paid directly or indirectly from wages, from capital gains or from rent from land” [8]. These sources of taxation – wages, profits, income and cadastral value – remain the main components of the tax base in the modern world.

In the 30s of the XX century, a new direction in economics appeared in England – Keynesianism. Its representative is the English economist J. Keynes – in his main work

“The General theory of Employment, interest and money” calculated the optimal size of the state budget for long-term economic growth – 18% of the gross national product, because the budget is not only the sum of all expenses, but also the sum of all income. Thus, 18% is the optimal average tax rate, which reflects the balance of interests of the state, society and business.

Representatives of the “institutionalism” economic trend that emerged in the early XX century in the USA

– T. Veblen, J. Commons, W. Mitchell – considered taxes “not as a duty of citizens, but as a duty” [7].

Analyzing the works of representatives of these economic schools, we can conclude that taxes are an important component of the state economy and serve the source of state budget revenues and the regulator of economic processes. However, it should be noted that they had different ideas about the influence of the state on fiscal (tax) policy: according to representatives of the classical school, the state should not interfere in the financial processes of economic entities; representatives of the Keynesian school, on the contrary, believed that the state, in order to stabilize the economy and maintain full employment, should pursue an active tax policy to combat with business cycles.

The essence of the tax can be considered through its functions. In economics, there are several approaches to the definition of a function tax. For example, I.I. Kuchеров points out the existence of two functions: distributive (social) and regulatory, which, in turn, is divided into subfunctions – stimulating, discouraging (prohibitive, suppressive) and encouraging [2].

In the textbook “Taxes” edited by D.G. Chernik, it is noted that “taxes perform the main distributive function, control function and stimulating subfunction”. Most authors recognize “two tax functions: fiscal and regulatory” (cit. by: [3]).

Let's take a closer look at the three functions of the tax:

- fiscal – aimed at generating budget revenues;
- regulatory – affects socio-economic processes;
- control – implemented in the regulation of financial and economic activities of income generation, with its help, the timeliness and completeness of tax receipts are monitored.

After analyzing different points of view on understanding the essence of the tax and defining its main functions, we came to the following conclusions:

- 1) the tax is an economic value for the modern state and contributes to the maintenance of the vital activity of the population; in particular, it manifests itself in promoting the development of the Institute of motherhood and Childhood;
- 2) the tax should be considered as an essential element of the financial and economic policy of the state. With the help of taxes, stimulating or discouraging conditions are established in the country for the development of business and ensuring the property status of citizens.

The amount of tax revenues depends on whether the state will be able to perform the functions assigned to it. To a certain extent, the amount of receipts taxes to the budget system depend on the tax authorities, which, in turn, exercise tax control over compliance with the legislation on taxes and fees.

Tax control is a part of tax administration. In this regard, the scientific literature has firmly established a view of tax control as one of the functions of managerial activity. For example, K.V. Novoselov considers tax control to be an integral part of the organizational and legal management mechanism formed by the state, which is a special type of activity specially authorized bodies, as a result of which the fulfillment of the duties of persons in the field of taxation, established by the norms of tax law, is ensured, research and identification of grounds for the implementation of compulsory tax withdrawals to the budget system, as well as the establishment of grounds for the application of liability measures for committing tax offenses [4].

A.V. Bryzgalin defines tax control “as a set of techniques and methods of management of competent authorities established by law, ensuring compliance with tax legislation and the correctness of calculation, completeness and timeliness of tax payment to the budget or extra-budgetary fund” [1].

I.I. Kuchеров describes tax control as the most important area of financial control, which is the activity of entities with appropriate competence using special forms and methods aimed at to create a perfect taxation system and achieve such a level of compliance (tax discipline) among

taxpayers and tax agents, in which violations of tax legislation are excluded [2. p. 26].

D.G. Chernik, A.P. Pochinok and V.L. Morozov define tax control as control of ensuring the completeness and timeliness of payment of taxes by legal entities and individuals and other mandatory payments.

Having analyzed the above definitions, we can conclude that tax control is considered by scientists in three directions, namely as:

- specific activities of authorized state bodies to ensure compliance with tax legislation;
- a set of actions, techniques, operations and ways to verify compliance with tax legislation;
- a system of organizational, methodological, and technical aspects.

In our opinion, the supporters of the first direction focus on the activities of state bodies that exercise tax control, however, they overlook the methodological and legal side of tax control; supporters of the second direction do not take into account the subjects of tax control, i.e. state bodies to which the legislator has granted the right to apply these methods; supporters of the latter trend rightly note the complexity and diversity of the concept of “tax control”, however, describing approaches to the definition of this phenomenon, they do not give the definition itself.

In our opinion, tax control should be understood as the effective activity of authorized bodies to monitor compliance with the legislation on taxes and fees by all participants in economic, financial and legal relations, using modern economic, financial and legal methods, including information technologies that do not violate the rights and interests of controlled persons, in order to ensure full and timely fulfillment by the latter of the duties imposed by the legislation on taxes and fees of the Uzbekistan.

The proposed definition most fully reflects the current conditions in which tax control is carried out.

The essence of tax control reflects its functions. Many authors have devoted their works to their research. Having studied various approaches, we state the need to allocate the following functions of tax control:

- fiscal function;
- constitutional function;
- coordinating function;
- legal function;
- intersectoral function;
- foreign economic function.

In addition to these functions, we also highlight the protective function of the tax control, since when carrying out appropriate measures, the revenue part of the state budget and the rights of citizens are protected. For example, tax control makes it possible to identify cases of violations of tax legislation by an employer, which contributes to an increase in employees' wages by identifying schemes for paying so-called “gray” wages and, consequently, increasing pension contributions.

From the analysis of judicial practice, the following conclusion can also be drawn: tax control helps to identify schemes of violation of tax legislation enterprises that are engaged in the extraction of natural resources (in particular, oil and gas), preventing the illegal appropriation and withdrawal of funds from economic turnover. Thus, being one of the main taxpayers, natural resource extraction enterprises are obliged to pay taxes from the implementation of commercial activities in full, which requires the tax authorities to pay increased attention to this category of taxpayers.

Tax control in Uzbekistan should be further improved and serve to increase the effectiveness of control work, taking into account the positive domestic and foreign experience in this area.

The general approach to the organization of tax control in developed countries is carried out according to the principle of efficiency, i.e. control should be economically feasible, and the funds for its organization should correspond to the goals. It is worth noting that the methods, terms and methods of tax control in all countries are different. In order to carry out effective tax control, the authorized bodies of foreign countries carry out extensive analytical work: goals are clearly formulated and key areas of control are determined; targeted selection of taxpayers for verification is carried out, for which automated selection systems are used using complex mathematical methods of evaluation and selection; the reliability of taxpayer data is ensured through the development of understandable declaration forms and clear requirements for their completion, equally understood by taxpayers and tax authorities [6].

As part of the practical implementation of changes in the tax legislation of methods and methods of conducting tax control, issues considered taking into account the specifics of historical formation, the introduction of new information methods of tax control are currently being updated in domestic science. Assessment of the activities of employees of tax authorities during control measures should be given in the interrelation of the actions of all structural divisions of the tax authority. In order to increase the effectiveness of tax control, employees of control, legal departments and pre-trial audit departments need to annually improve their qualifications and undergo an assessment of the effectiveness of their activities in order to carry out control measures both on professional and personal and psychological characteristics.

The main indicators of the effectiveness of tax control today are the level of additional amounts and the percentage of recoverability, the ratio of amounts reduced by judicial and higher authorities. The main indicator of the effectiveness of the activity is the coefficient of overall efficiency, which is calculated as the ratio of the amount recovered from the additionally accrued amounts per employee to the amount spent per employee [10].

Effective tax control is one of the main tools for building trusting relations between the state and modern civil society. The identification of tax minimization schemes and additional taxes can increase budget revenues, which gives the state the opportunity to perform the functions assigned to it. Thus, the improvement of tax control methods should be aimed at its more complete and comprehensive implementation, taking into account positive domestic and foreign experience, as well as using modern information technologies.

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